WCB
Workers Compensation Board of Manitoba

SERVICE DRIVEN.
SAFETY MINDED.

WCB 2004 ANNUAL REPORT

SAFE WORK

S SPOT THE HAZARD
A ASSESS THE RISK
F FIND A SAFER WAY
E EVERYDAY

WCB
Workers Compensation
Board of Manitoba

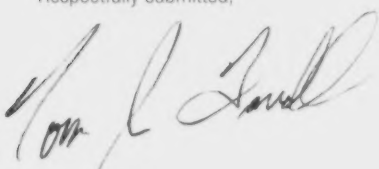
LETTER TO THE MINISTER

The Honourable Nancy Allan
Minister Responsible for *The Workers Compensation Act*
Room 317, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

We are pleased to present our 2004 Annual Report in accordance with the provisions of ***The Workers Compensation Act***. This report covers the twelve month period from January 1, 2004 to December 31, 2004. It includes the statements of accounts required to be kept under the Act.

Respectfully submitted,



Tom J. Farrell
*Interim Chairperson

*Tom Farrell was appointed Interim Chairperson March 4, 2005

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This document is a!so available in large print format. Please call **954-4760**, toll-free **1-800-362-3340** or email info@wcb.mb.ca.

For further information about the WCB's future plans, please refer to the Five Year Plan 2005–2009 on our website **www.wcb.mb.ca**.

WCB
Workers Compensation Board of Manitoba

ABOUT THE WCB

The Workers Compensation Board of Manitoba is an injury and disability insurance system for workers and employers, paid for by employers.

About Our Staff

The WCB workforce is made up of approximately 470 individuals dedicated to providing excellent service to Manitoba's workers and employers. We welcome diversity with our strong commitment to employment equity, and offer a wide range of opportunities for staff to continue developing their unique skills and abilities.

Our staff have earned a very positive reputation for giving back to their communities. For many years, they have championed the United Way and been recognized for having one of the 50 most successful workplace campaigns in Manitoba. When the Tsunami disaster hit late in 2004, the WCB staff were quick to contribute and, with matching funds from the WCB, were able to donate $14,830 to help those in need.

About Our Services and Benefits

The very best the WCB can do for Manitoba workers and employers is to help them prevent workplace illnesses and injuries from occurring in the first place. We have partnered with the Manitoba government's Workplace Safety and Health Division to build a safety culture in Manitoba.

If individuals are hurt or become ill as a result of their work, however, we're here to help. The WCB offers a wide range of benefits to help injured workers return to health and meaningful work as soon as it is safe to do so. Benefits include:

- replacement of lost income
- healthcare treatments and medication costs
- dental costs
- employment retraining
- lump sum payments for permanent impairments
- benefits to spouses and children in the event of a workplace death.

About the WCB's Community Support

Through its Community Initiatives and Research Program (CIRP), the WCB provides up to $1 million annually to fund projects that will help keep Manitoba workers safe at work, or recover as quickly as possible if they are injured on the job.

The CIRP provides an important instrument for our community partners to help reduce the pain and suffering of Manitoba's injured workers and their families.

MESSAGE FROM THE CHAIRPERSON AND PRESIDENT AND CEO

The WCB is committed to raising awareness and changing people's attitudes and behaviours when it comes to safety.

To make this happen, the WCB has a key priority of injury prevention. We're working closely with our partners and stakeholders to minimize risk and ensure Manitobans stay safe and healthy at work.

In 2004 we aggressively continued our efforts to remind everyone of the need for safety through our SAFE Work public awareness campaign. To complement this initiative, meetings continued with CEOs of major employers to further promote the SAFE Work concept. A SAFE Work team was formed, in partnership with government's Workplace Safety and Health Division, to work with "priority firms" to lower their injury rates. Our surveys tell us that over eight out of ten Manitobans are aware of our SAFE work message, and seven in ten say they are less likely to take risks now than they were in the past. Added to this is the fact that the injury rate in Manitoba is steadily decreasing. We know, with the prevention priority and the collective efforts of the WCB, its partners and stakeholders, we're making headway towards a culture of safety in Manitoba.

While the number of workplace injuries is on the decline, the WCB remains responsive to the needs of injured workers and employers. With service excellence as another key priority, we've made reporting injuries easier, and achieved many positive gains in our claims management processes with the introduction of an electronic claims file system. As a result, we are able to pay injured workers faster and respond to their needs much more quickly than was possible with the paper file processes. Our efforts to assist injured workers to recover more quickly and completely were reinforced through a number of activities which promote return to work including training for staff, implementation of best practices, new communication materials and the continuing development of cooperative relationships with healthcare providers.

The year 2004 marked a major milestone for compensation legislation with the first extensive public review in almost 20 years. We anticipate recommendations for changes in 2005 to modernize ***The Workers Compensation Act.***

An important facet of an effective compensation system is financial stability. The WCB of Manitoba continues to be one of the few across the country that is fully funded, and the average assessment rate for employers is the lowest of any Canadian province. To safeguard our financial future, a policy was revised to substantially increase reserve fund target levels. Financially, the WCB remains on solid ground.

Overall, the year 2004 was very positive thanks to the leadership of the WCB Board of Directors and our dedicated staff who make the system work on a daily basis. Together with our partners and stakeholders, we will meet the challenges and opportunities that lie ahead to build a safer Manitoba.

Wally Fox-Decent
Chairperson

Doug Sexsmith
President and CEO

WCB Workers Compensation Board of Manitoba

BOARD OF DIRECTORS AND BOARD COMMITTEES

The role of the Board of Directors is to approve and oversee the direction of the WCB, including policies respecting compensation, rehabilitation, assessment and appeal procedures. By statute, the Board of Directors consists of 10 members appointed by the Government of Manitoba from nominations submitted by employers, labour and the public. This tripartite representation includes a neutral Board Chairperson, three representatives of workers, three representatives of employers and three members representing the public interest. The Chief Executive Officer is a non-voting member of the Board of Directors.

BOARD OF DIRECTORS

Wally Fox-Decent	*Chairperson*
Karen Naylor	*Worker Representative*
Bob Sample	*Worker Representative*
Marla Garinger Niekamp	*Worker Representative*
Ed Gallos	*Employer Representative*
Ron Koslowsky	*Employer Representative (to September 30, 2004)*
Ron Hambley	*Employer Representative (from October 1, 2004)*
Sharon Seabourne	*Employer Representative*
Elaine Cowan	*Public Interest Representative*
Paula Keirstead	*Public Interest Representative*
Brian Mayes	*Public Interest Representative*
Doug Sexsmith	*Chief Executive Officer*

The Board of Directors thanks Ron Koslowsky for his many significant contributions during his tenure at the WCB.

Missing from this photo:

Ed Gallos

BOARD COMMITTEES

Policy Committee

Wally Fox-Decent	*Chairperson*
Karen Naylor	*Worker Representative*
Ed Gallos	*Employer Representative*
Elaine Cowan	*Public Interest Representative*
Doug Sexsmith	*Chief Executive Officer*

The Policy Committee was created under sections 51.1(2) and (3) of ***The Workers Compensation Act***. The Committee reviews and recommends changes to existing policy and initiates new policy through consultation with stakeholders of the WCB. It also serves as the Personnel Committee of the Board of Directors.

Examples of Policy Committee activities in 2004 are:

- recommended amendments to policy
- received and reviewed the Internal Audit on Human Resources
- serving as the Personnel Committee, received reports and updates, and provided direction on human resource matters, the WCB staff pension plan, employment equity survey and a pilot project for compressed work week.

L - R Karen Naylor, Elaine Cowan, Bob Sample, Sharon Seabourne, Doug Sexsmith, Wally Fox-Decent, Brian Mayes, Paula Keirstead, Marla Garinger Niekamp, Ron Hambley

Finance Committee

Wally Fox-Decent	*Chairperson*
Marla Garinger Niekamp	*Worker Representative*
Ron Koslowsky	*Employer Representative (to September 30, 2004)*
Ron Hambley	*Employer Representative (from October 1, 2004)*
Brian Mayes	*Public Interest Representative*
Doug Sexsmith	*Chief Executive Officer*

The Finance Committee was established to review the financial position of the WCB including the annual budget, assessment rates and related financial policies. The Finance Committee also serves as the Audit Committee of the Board of Directors.

Examples of Finance Committee activities in 2004 are:

- met with the external auditor and external actuary
- met with the WCB Internal Auditor and reviewed: the Internal Audit Plan – 2004, the Human Resources Audit and in conjunction with the full Board of Directors, the Long Term Wage Loss Audit; received regular updates on the status of internal audit recommendations
- approved the financial information for inclusion in the annual report and five year plan
- approved major contracts pursuant to WCB policy
- approved the 2005 detailed assessment rates
- approved a new accounting policy for investment income
- approved a new funding policy for the Accident Fund Reserve
- reviewed and recommended the 2005 budget to the Board of Directors.

Service Committee

Wally Fox-Decent	*Chairperson*
Bob Sample	*Worker Representative*
Sharon Seabourne	*Employer Representative*
Paula Keirstead	*Public Interest Representative*
Doug Sexsmith	*Chief Executive Officer*

The Service Committee assists the WCB's administration in accelerating and monitoring service improvements and recommends approval of funding under the WCB's Community Initiatives and Research Program (CIRP).

Examples of Service Committee activities in 2004 are:

- recommended approval of 2004 CIRP, approved revisions to the CIRP application process and reviewed the process for financial support for longer term projects
- met with staff representatives from the Appeal Commission, Business Process Renewal and Project Advisory Services
- met with representatives of the Return to Work Stakeholder Advisory Group to discuss the group's recommendations on return to work service improvements
- met with the Fair Practices Advocate on ways to raise the public's awareness on the services offered by the Fair Practices Office
- received presentations and provided input on various service initiatives including a telephone answering pilot project, customer service workshops and after care support strategy
- reviewed and approved the work plan for the SAFE Work public awareness campaign and provided ongoing monitoring.

WCB Workers Compensation Board of Manitoba

INVESTMENT COMMITTEE

Wally Fox-Decent	*Chairperson*
Bob Darling	*Employer Representative*
Pat Gannon	*Deputy Minister of Finance (to June 30, 2004)*
Ewald Boschmann	*Deputy Minister of Finance (from July 1, 2004)*
Shermarf Kreiner	*Advisor*

The Investment Committee was created under Section 95 of ***The Workers Compensation Act*** to regularly review WCB investments and provide clear, written direction for the investment portfolio.

The Investment Committee believes in active management. The Investment Committee, under the terms of a formal statement of investment policies and objectives, oversees a portfolio diversified across a number of distinct asset classes. This approach provides stability with the portfolio.

Examples of Investment Committee activities in 2004 are:

- regular reviews of investment manager performance; replaced a U. S. equity manager and a Canadian bond manager
- restructured the fund's fixed income portfolio adding mortgages and a new bond mandate.

2004 HIGHLIGHTS

Building a Prevention Culture: The joint prevention activities of the WCB and Workplace Safety and Health Division (WSHD), have shown significant results in the past year and one-half. Manitobans are embracing a culture of workplace safety and health. Over eight out of ten Manitobans are aware of the SAFE Work public awareness campaign. Seven out of ten Manitobans say they're less likely to take risks at work now than a year ago.

Injury Rate Declines: Prevention efforts are taking hold in the workplace. The rate of injuries per hundred employees is 4.5, a reduction of 22% since 2000 when the rate was 5.8. While injuries are going down there is much more work to be done. Our SAFE Work Team, in partnership with WSHD, continues to build prevention capacity in Manitoba workplaces.

Better Service Through Process Improvement and Technology: We were able to offer more timely and responsive service to customers as Short Term Claims improved their processes and changed over to electronic files. Electronic files lead to faster claims management and better communication with injured workers because the file can be easily accessed by WCB staff.

Strong Financial Stewardship: The WCB posted an operating surplus of $9.7 million and the investment portfolio earned 11.8 percent. The Manitoba WCB is one of the few fully funded WCBs in Canada with reserves of $70 million. Despite an increase in the actual average assessment rate to $1.71, Manitoba employers enjoy the lowest average premium rate of any Canadian province.

Serving Our Customers: Assisting injured workers to return to health and work continues in partnership with healthcare providers. With the conclusion of a service agreement with Manitoba physiotherapists, the WCB, for the first time, has contracts in place with physiotherapists, doctors and chiropractors. We continue to talk to employers about the impact of their safety record on their WCB premiums. We are always listening to our customers and partners about how we can better meet their needs.

YEAR AT A GLANCE

	2004	2003
Number of workers covered	384,450	376,800
Number of registered employers	25,110	24,639
Total claims reported	41,077	42,494
Total claims accepted	34,864	35,533
Time loss claims reported	18,778	19,189
Time loss claims accepted	17,308	17,609
Fatality claims accepted	21	19
Claim costs incurred	$161,317,000	$155,533,000
Administration expenses (AWCBC definition)	$40,103,000	$40,101,000
Average duration of claims (compensation)	21.9 days	21.3 days
Reserves	$70 million	$56 million
Average premium assessment rate - Budgeted	$1.70	$1.56
- Actual	$1.71	$1.62

THEMES

Four strategic themes that guide us daily in our work provided the framework for WCB's activities in 2004 and for the foreseeable future – prevention, recovery, service and stewardship.

PREVENTION

SAFE Manitoba Joint Initiative Continues to Build Safety Culture

Activities to reduce workplace time loss injuries continued under the SAFE Work brand in 2004. The SAFE brand represents an easy to remember personal risk management model that prompts us to think of safety:

SAFE: **S**pot the hazard **A**ssess the risk **F**ind a safer way **E**veryday

WCB Workers Compensation Board of Manitoba

The SAFE Work message is reaching Manitobans as shown in the results of a survey released towards the end of 2004:

- since the advertising campaign's inception in June 2003, over eight out of ten Manitobans are aware of the SAFE Work message
- in total, seven out of ten Manitobans said they were less likely to take risks
- more than nine out of ten surveyed supported SAFE Work advertising
- those who would consider asking about safety before performing a job increased eight percent
- those who said they would wear proper safety equipment rose by six percent between January 2003 and November 2004
- more than half of those surveyed recalled the word SAFE from the ads.

SAFE Work Team

The SAFE Work Team was formed to help coordinate the joint efforts of the partners in SAFE Manitoba. The Team consists of the SAFE Work manager and a business analyst from the WCB, along with the director of partnerships and prevention and four Workplace Safety and Health officers.

One of the main objectives of the SAFE Work Team is to work with "priority firms" to help lower their injury rates. The designated SAFE Work officers have concentrated efforts on the priority firms and industries which allows for more direct assistance and identification of hazards or issues in the workplace.

Progress is being made, with total claims for priority firms down by 865 (18 percent) over the previous year. The total reported WCB claims reduction in 2004 over the previous year was 1,417 claims or 3.3 percent.

CEO to CEO

In 2004 we worked with our industry partners to build networks within industry sectors to enable the sharing of resources and information, with the objective of enhancing the safety of workplaces in those industries. We continued our CEO to CEO initiative, which involved the WCB President and CEO meeting with industry leaders to emphasize the importance of preventing workplace injuries.

The first session of 2004 took place with CEOs from the construction industry, followed by sessions with manufacturing, the City of Winnipeg and the Regional Health Authorities.

WCB, WSHD Unveiled Comprehensive Report on Workplace Injuries

In 2004 the WCB and Workplace Safety and Health Division (WSHD) created the *Manitoba Workplace Injury Statistics Report*, a component of the Province of Manitoba's Workplace Safety and Health Prevention Strategy. This document represented the first time such an extensive report was created in Manitoba. It contains three main areas: injury rates, workplace fatalities and characteristics of injured workers and accepted claims. The report is the authoritative document on all such statistics in the province.

The report marked the first time the WCB and WSHD have produced one provincial set of numbers that record workplace fatalities.

ScoreCard Shows How Reducing Injuries Impacts WCB Premiums

The ScoreCard is an interactive tool that allows employers to see the relationship between their claim costs and experience and their WCB assessment rates. The ScoreCard project also provides best practices from Manitoba employers proven to effect change. In 2004, the WCB conducted 33 meetings involving 77 firms.

Safety for Young Workers Encouraged with Province-Wide Poster Competition

Young workers are often inexperienced and may not be aware of hazards in the workplace. In 2004, SAFE Manitoba ran a poster contest to engage students in Senior 1 to Senior 4 to build awareness among their peers on the danger of being injured in the workplace.

The competition challenged youth to think like advertising professionals and educate young workers about the potential dangers of workplace injuries and how to avoid them.

Posters were judged on message, creative application and effectiveness. Winning posters were converted into billboards and newspaper print ads.

WCB Provides Support to Promote the Health and Safety of Aboriginal Workers and Workers with Literacy Challenges

Established in 1997, the Community Initiatives and Research Program (CIRP) provides up to $1 million annually to fund projects focusing on injury and disease prevention, safety in the workplace, treatment of workplace injuries, support for injured workers and their families, and research into scientific, medical or other issues related to workers' compensation. In 2004, the WCB focused on workplace or community-based projects that concentrate on the prevention of workplace injuries and illnesses.

One major project that was funded through the CIRP in 2004 was the Aboriginal Workers Education and Outreach Project. The aim of this initiative was to build on the results of a survey that identified how to increase Aboriginal workers' awareness of workplace health and safety issues. The project will develop and implement a unified strategy to equate traditional Aboriginal teachings with the issues of workplace health and safety for Aboriginal workers.

Since the CIRP was launched by the WCB at the end of 1997, 89 innovative projects have been completed or are still in progress. Approximately 67 percent of the funding has supported workplace prevention, education and training initiatives.

RECOVERY

Workplace injuries and illnesses are costly – to the worker, the employer and society. In 2004, 41,077 injuries were reported to the WCB. Almost 19,000 of those injuries led to injured workers missing time at work.

The WCB is committed to lessening the impact of injuries by partnering with employers, workers and healthcare providers to aid in the recovery of injured workers. Therefore, in 2004, the WCB continued to focus efforts on:

- return to work activities
- reducing waiting times for key healthcare services
- developing cooperative relationships with healthcare providers
- sharing knowledge with medical practitioners.

Return to Work Activities

Studies show a timely and safe return to productive work can help injured workers recover more quickly.

To promote the effectiveness of return to work (RTW) programs, the WCB developed and distributed resource materials for workers employers and healthcare providers. A booklet compiling RTW best practices is also being prepared for small businesses interested in creating return to work programs. Over the course of the year, the WCB made over 100 presentations to workplaces promoting the benefits of RTW programs.

The WCB developed and applied measures to RTW initiatives. The WCB asked stakeholders, including a Return to Work Stakeholder Advisory Group, about their RTW experience and will move forward in response to their needs and recommendations. The WCB also established and conducted internal performance reviews of RTW processes.

Claims management staff received training to gain a better understanding of RTW best practices and how to apply them to aid an injured worker's recovery.

Reducing Waiting Times for Key Healthcare Services

An injured worker's access to timely diagnostic and surgical services is an important part of their recovery. The WCB reached an agreement in principle with the Pan Am Clinic to provide magnetic resonance imaging (MRI) services for WCB clients. The WCB also negotiated a new fee schedule for independent day surgical centres that is responsive to timely access to specialist consultation and surgical procedures.

The WCB also looked at its own healthcare department, analyzing service delivery from internal healthcare providers. Process changes were identified to enhance the quality and timeliness of service. The changes will be implemented in 2005.

Developing Cooperative Relationships with Healthcare Providers

Good communication with healthcare providers is essential to an injured worker's recovery. A cooperative relationship speeds the flow of information between healthcare providers and the WCB, allows creativity in finding ways to provide the best care for injured workers and is a key component of successful return to work programs.

This year was the first time the WCB had agreements in place with all key healthcare providers, i.e., the Manitoba Medical Association, the Manitoba Branch of the Canadian Physiotherapy Association and the Manitoba Chiropractors Association, to provide services to injured workers and reports to the WCB.

The WCB also participates on liaison committees with physiotherapists and chiropractors to promote a better understanding of WCB objectives.

Sharing Knowledge with Medical Practitioners

The role a medical practitioner plays in helping an injured worker to recover involves not only diagnosing and treating the illness or injury but advising and supporting the injured worker, communicating with the injured worker and the employer and working closely with other involved healthcare professionals.

The WCB sponsored a keynote speaker at a family medicine conference giving the WCB the opportunity to encourage best practices among physicians who treat WCB clients and clarify the physician's role in an injured worker's recovery. A pamphlet for healthcare professionals on return to work was developed and distributed. The pamphlet offers suggestions on how healthcare professionals can facilitate the return to work process.

SERVICE

In 2004, the WCB continued to focus on meeting the ever changing expectations of our clients. Basing our efforts on client feedback and our Statement of Service Excellence, "We will provide service that is fast, easy, caring, right and clear.", the WCB has undertaken a number of service initiatives to help meet injured workers' and employers' needs more fully.

Service Quality Committee

WCB's Service Quality Committee has worked hard to provide advice and direction on customer service improvements and service standards and generally promote a culture of service within the WCB. Our Service Improvement Plan includes customer service training sessions and service standards.

Service Driven Development Program

The Service Driven Development Program, a series of five customer service training workshops, offered staff an opportunity to develop skills in specific areas. Topics included creating positive customer interactions, personalizing service to customers, handling challenging situations, solving problems and service recovery as well as managing priorities.

Telephone Service Standards and Voice Mail Guidelines

In order to enhance our clients' experience when phoning the WCB, we implemented telephone service standards and voice mail guidelines organization-wide in 2004.

The WCB surveys employers and injured workers to hear their views on how we're doing. In 2004, 75 percent of employers and 73 percent of injured workers indicated that WCB staff returned their phone calls promptly.

Internal monitoring has also shown that staff have made good progress in following these best practices.

Claims Management

An electronic claim system was implemented at the WCB in 2004, replacing paper claim files. Staff handling short term claims - those lasting less than eight weeks - now have access to this new claim system. One of the benefits of the system is that more than one person can view a file at any given time, reducing wait times in accessing claim files. The new system also greatly benefits injured workers as staff are now able to provide more timely responses and payment of benefits.

In 2004, restructuring in the Short Term Claims department empowered staff to take on a more comprehensive role which resulted in less hand-offs of a claim and fewer points of contact for clients.

The combination of introducing new technology, consolidating roles and being more proactive in obtaining claim information has resulted in improvements in the timeliness of the adjudication and payment of claims.

In 2003, the annual percentage of traumatic time loss claims paid within 14 days of an injury was 38.7 percent. In 2004, the number increased to 42.3 percent. In the month of December 2004 alone, 50.1 percent of traumatic time loss claims were paid within 14 days.

Thompson Regional Office

The WCB's regional office in Thompson, Manitoba had a busy year managing over 1,000 claims, and working with employers in the north-eastern area of the province. The office is now staffed with three individuals from the local community.

Employers and workers have often expressed their appreciation of having friendly and knowledgeable WCB staff - who are familiar with the local labour market, economy and culture - managing their claims. The opportunity to conveniently meet face to face on WCB related issues is a valued service.

L - R
Darlene Mulholland
Patrick Kilcullen
Coral Bennett

Website Redesign

The WCB launched a new website in early 2004. The redesign improves the site's user-friendliness by making it easier for stakeholders to navigate.

Our Efforts Are Making a Difference

Our service improvement efforts seem to be making a difference for employers and workers.

Recent surveys show that overall satisfaction of both employers and injured workers is slowly improving.

WCB
Workers Compensation Board of Manitoba

STEWARDSHIP

The right combination of people, policies, technology and finances creates the formula necessary to support the prevention of workplace injuries, return of workers to health and work and continuously improve services to workers and employers.

Cultural Diversity Training Helps Staff Understand Their Customers

The WCB is committed to hiring and training individuals that meet our service commitments and corporate goals. In 2004, training was provided in cultural diversity. This effort is complemented by our employment equity program to ensure that our staff are representative of, and understand, the population they serve.

Resources Provided to Support Legislative Review

In 2004, the WCB provided support resources for an extensive and independent legislative review of ***The Workers Compensation Act*** - the first major review in almost 20 years. The committee's report was developed and recommendations for changes to modernize the ***Act*** were provided to the Minister of Labour in early 2005.

Data Recovery Centre Ensures Continuing Service

A back-up Data Recovery Centre (DRC) to ensure the continuation of service to our customers in the event of an unexpected incident was implemented in 2004. The offsite location houses equipment and current data that will ensure WCB programs and services continue with minimal disruption, in the event of a major incident. A Business Resiliency Plan, that defines how each business area will react to ensure services continue in the event of an incident, was developed to complement the DRC.

Financial Position Remains Strong

The WCB's financial stability provides the foundation for its continuing successful operations. The WCB maintained the lowest average assessment rate of all provinces across the country, in spite of a nine percent increase in the budgeted average assessment rate introduced for 2004, and has worked diligently to keep its administration costs per time loss claim among the lowest in the country. The Manitoba WCB is fully funded with a funding ratio of 118 percent.

Healthy reserve funds have become more important than ever, as a result of new accounting standards across Canada, introduced by the Accounting Standards Board and implemented for the WCB's 2004 financial statements. The new standard requires the WCB to record investment gains and losses in the year in which they occur. The previous method called "smoothing" allowed gains and losses to be recorded over a five year span, which spread the impact of volatile investment markets on WCB financial results over several years.

Recognizing gains and losses in the year in which they occur will increase the swings in the WCB's financial results, and that in turn will affect the level of the WCB's reserves. The WCB's Board of Directors has therefore adopted a new reserve funding policy that substantially increases the target level for the WCB's reserve fund.

Investment income is an important revenue stream for the WCB and one that is relied upon to help maintain low assessments rates for employers. Healthy reserves are necessary and are used to ensure assessment rate stability.

REPORT OF THE FAIR PRACTICES ADVOCATE

WCB 2004 ANNUAL REPORT

REPORT OF THE FAIR PRACTICES ADVOCATE 2004

With its inception in 1989, the Fair Practices Office became the first such office to be established by a workers' compensation agency in Canada. Since that time the Manitoba Office has been approached by a number of other Canadian compensation agencies expressing interest in the office—its processes, its challenges and its successes. British Columbia, Saskatchewan and Ontario have since followed Manitoba's lead by establishing similar offices. As well, other workers' compensation agencies are in the developmental stages of implementing their own Ombudsman-like services. This increasing support for giving injured workers and employers a place to have their concerns heard is an encouraging trend in workers' compensation. The Chairperson of the Workers Compensation Board of Manitoba, Wally Fox-Decent, has been a champion for fairness and for quality service in workers' compensation. His influence in Manitoba has contributed to the spread of this service to other compensation agencies.

In my experience, there can be a number of well-understood positive effects from a Fair Practices Office. The complaints and other issues brought forward allow the WCB to evaluate itself by seeing its service through the eyes of those it serves. On an individual level, it allows staff to learn from knowing how their clients experienced their actions. Knowledge of the issues facing our clients allows the WCB to identify areas where either individual or systemic training is needed. Having a place to go can create a sense of satisfaction and empowerment for WCB clients.

There are principles that are typical of an Ombudsman's office and these are features of the Manitoba Fair Practices Office. Included in these principles are:

- the right to investigate any action or inaction of the Manitoba Workers Compensation Board
- the right to unfettered access to all information available to the Manitoba Workers Compensation Board related to the issue under investigation
- the right to independent action without influence by the Board of Directors or administration
- confidentiality if requested by the complainant
- impartiality
- the right to make recommendations if a decision has clearly misapplied WCB policy or legislation
- a reporting relationship to the CEO and the Chair of the Board
- an opportunity to report regularly to the administration and the Board of Directors.

It is the theme of independence in these principles that creates the risk that prevents some organizations from creating and supporting such an office. The Manitoba WCB has sustained and encouraged the Fair Practices Office for the last 15 years.

Once again throughout this past year, my staff and I are aware that it is a privilege to serve the injured workers and employers of Manitoba by providing Ombudsman services on behalf of the Workers Compensation Board of Manitoba. The collective willingness of the staff and administration to listen to complaints and to acknowledge that improvements are needed contributes to the success of the Fair Practices Office. Efforts by the administration and staff at increasing the quality of services are evident in the responses to problems brought forward.

We know that a high proportion of claimants have a positive experience with the Workers Compensation Board of Manitoba. They have reported this through their responses to the WCB's client satisfaction surveys. Recent survey results indicate that 75% of claimants were satisfied with the handling of their claim. Improvements are being made all the time and the WCB has made significant improvements with some problems such as timeliness of adjudication.

Although past events and improvements are encouraging, the number and nature of various kinds of specific complaints indicate that continued efforts for improvement are still warranted.

An analysis of the numbers of enquiries to the office over the last three years shows a number of trends and improvements. Although the sample is small and random, the numbers of complaints to the Fair Practices Office can be a useful indicator of where attention should be focused. I noted in my 2003 report the number of complaints in the area of communication and service

had increased from 136 in 2001 to 220 in 2003. Although significant improvement has not been achieved in 2004, I note that the increases of past years have leveled off to 214 in 2004 and the previous upward trend has been changed.

The complaints with regard to unadjudicated claims continue to go down, from 83 in 2002 to 58 this year. This is a notable improvement but the importance of this category is such that constant vigilance to ensure gains are not lost is warranted.

Claimants tell us they want to feel respected and listened to by the staff. They want timely adjudication of their claims and timely attention to their problems. They want fair process to determine reasonable plans for return to their jobs and, if that is not possible, they want vocational rehabilitation assistance and competent help in choosing and obtaining appropriate alternative employment. Employers have similar interests. They tell us they want their injured workers well and back to work as soon as reasonably possible.

Steps were taken in 2004 to increase client awareness of the Fair Practices Office. A brochure was developed and widely distributed describing the mandate of the Office and explaining how the services can be accessed. Development of a web site for the office was completed in 2004 for implementation early in 2005.

Pat Macgillivray
Fair Practices Advocate

WCB
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ENQUIRIES TO THE FAIR PRACTICES OFFICE

by Type 2001 - 2004

Year	2004	2003	2002	2001
Communication / Service *	214	220	169	136
Disagreements with Decisions **	223	240	235	266
Unadjudicated Claims ***	58	69	83	117
Process Delays ****	104	87	68	68
Information *****	306	240	234	211
Total	**905**	**856**	**789**	**798**

Category descriptions:

* Communication issues deal with complaints where claimants feel they are not getting the information or service they need when they need it or in a way they understand it.

** This category captures all complaints where there is a disagreement related to claims management, benefits entitlement or termination of benefits.

*** The unadjudicated claim category captures complaints where claimants are waiting to have their claim adjudicated because they are without income.

**** This category describes issues where claimants waited longer than they thought appropriate. Typical, are situations in which claimants may have waited for benefit cheques, medical aid expense payments or medical aid authorization.

***** This category describes situations where a claimant or an employer is seeking information on legislation, WCB policy and procedure or claim status.

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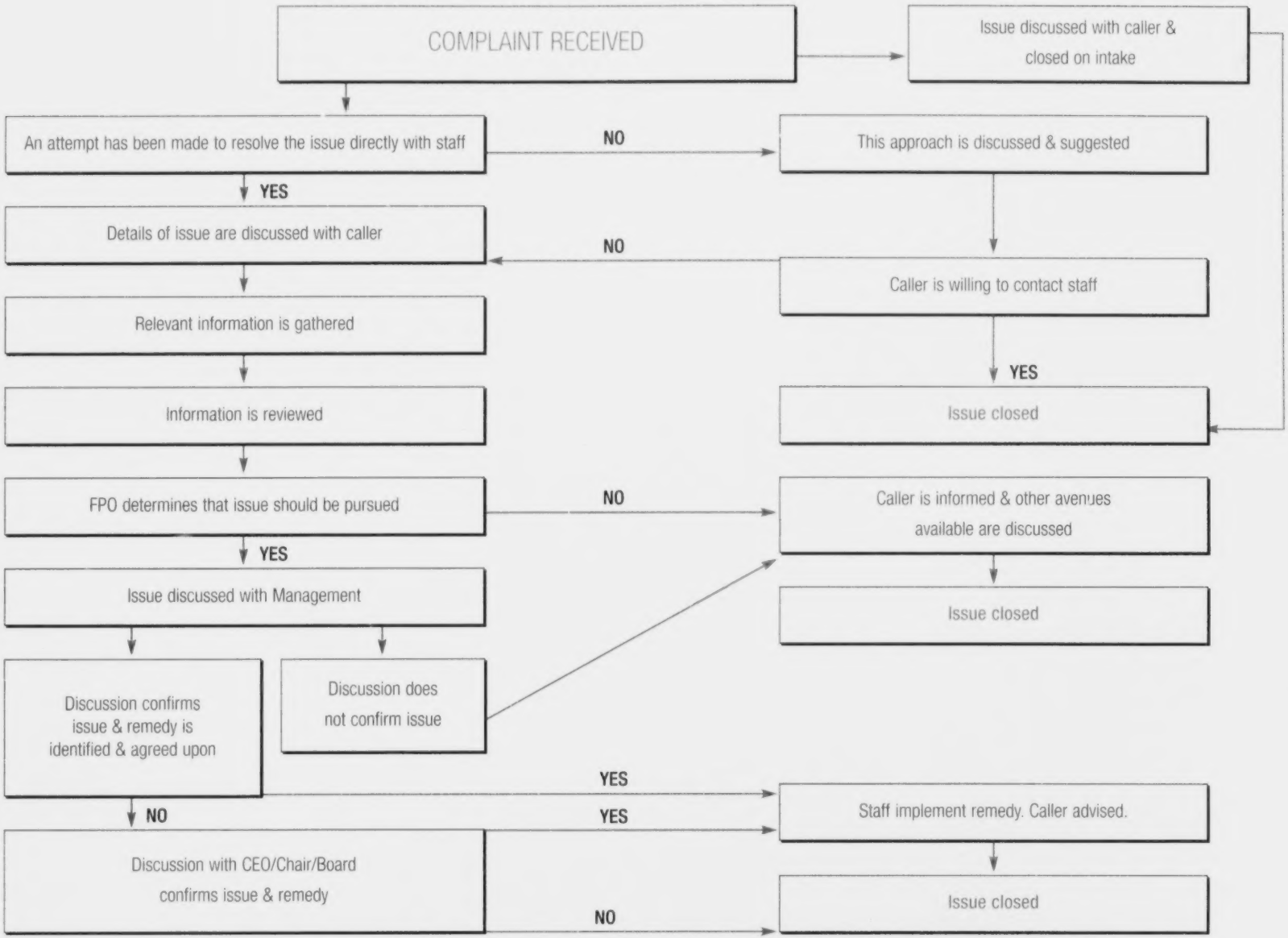
THIS CHART SHOWS THE PROCESS FOLLOWED IN THE FAIR PRACTICES OFFICE:


COMPLAINT RECEIVED
Issue discussed with caller & closed on intake
An attempt has been made to resolve the issue directly with staff
NO
This approach is discussed & suggested
YES
Details of issue are discussed with caller
NO
Caller is willing to contact staff
Relevant information is gathered
YES
Information is reviewed
Issue closed
FPO determines that issue should be pursued
NO
Caller is informed & other avenues available are discussed
YES
Issue discussed with Management
Issue closed
Discussion confirms issue & remedy is identified & agreed upon
Discussion does not confirm issue
YES
NO
YES
Staff implement remedy. Caller advised.
Discussion with CEO/Chair/Board confirms issue & remedy
Issue closed
NO

FINANCIAL REPORT

WCB 2004 ANNUAL REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in the annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the financial statements and other financial information included in the annual report.

The Board of Directors is assisted in its responsibilities by the Finance Committee which acts as the Audit Committee. This committee reviews and recommends approval of the financial statements, budgets and annual reports. Internal and external auditors and the actuary have unlimited access to the Finance Committee. The Finance Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The firm of Mercer Human Resource Consulting has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent review of the actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements.

Doug Sexsmith
President and CEO

Harold B. Dueck, CA
Vice President,
Finance and Administration

February 28, 2005

WCB
Workers Compensation
Board of Manitoba

2004 MANAGEMENT DISCUSSION AND ANALYSIS

As an integral part of the annual report, the Management Discussion and Analysis provides further insights into the operations and financial position of the WCB and should be read in conjunction with the audited financial statements and supporting notes.

2004 was a positive year for the WCB. The injury rate declined, investment returns continued to be strong, core claim costs incurred declined and the year ended with an operating surplus of just under $10 million.

2004 was an interesting year in terms of financial developments that impacted the Manitoba WCB and indeed WCBs across Canada. The Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) released three new accounting standards that directly affected the WCBs' method of accounting for investments. WCBs had used an industry standard of recording investments at cost adjusted toward market value using the moving average market method. Under this method, investment gains and losses were brought into income over five years. This accounting policy was used in order to decrease the volatility of investment market results and thereby ensure premium rate stability. The first AcSB release removed the smoothing technique as an option for recording investment income. This change was made as accounting standards continue to evolve and become more prescriptive in view of events within the business world. The other two releases related specifically to financial instruments and their presentation within the financial statements. Because of this sequence of events, the WCBs incorporated the financial instruments changes into their financial statements in 2004. Since adoption of these changes occurred almost before the ink was dry on the standard, the WCBs worked closely with the CICA throughout the year to ensure a technically accurate implementation of these complicated new rules. We do expect to continue to study and refine the accounting for investments over the next year as more knowledge is obtained and as more business sectors implement the changes.

The impacts of changing investment income accounting were significant and the implications going forward are substantial. The following discussion provides more insight:

- **Re-statement of investment portfolio** - The WCB investment portfolio balance was increased by $28 million to $728 million on the conversion date of January 1, 2004 to reflect the portfolio's fair value rather than the carrying value calculated via the moving average market method.

- **In-year investment income** - Investment income in the year now includes realized gains/losses that occur in the year versus the previous method of amortizing both realized and unrealized gains/losses over a five year period. **This change introduces much more volatility into each year's investment income in comparison to the smoothing method.** The risks associated with the increased volatility resulted in a decision to update the WCB's funding policy (see next page).

- **New financial concepts and statements** – Under CICA 3855 "Financial Instruments – Recognition and Measurement" and 1530 "Comprehensive Income", a new concept called ***other comprehensive income*** and new financial statements called the ***Statement of Comprehensive Surplus and Statement of Changes in Accumulated Other Comprehensive Income*** were created.

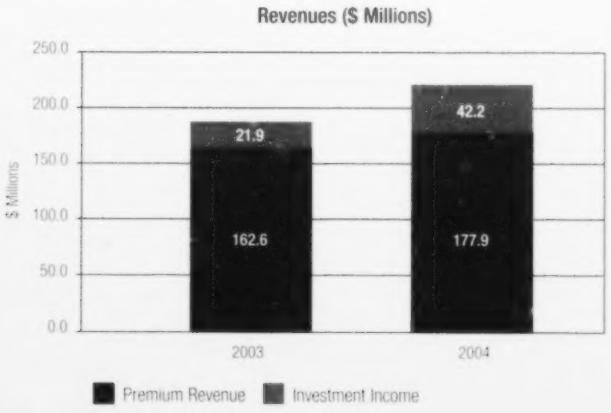
    - Other comprehensive income (OCI) includes the unrealized gain/loss when an investment's fair value changes during the year. When the investment is sold, the realized gain is re-classified from OCI to investment income.
    - The Statement of Comprehensive Surplus documents the net change in other comprehensive income for the year. This result is added to the operating surplus/deficit to arrive at total comprehensive surplus/deficit for the year.
    - The Statement of Changes in Accumulated Other Comprehensive Income is similar in concept to the Statement of Changes in Fund Balances. As such it records an opening balance, a net change for the year and a balance at the end of year for this new concept called other comprehensive income.

While this new concept records the "paper" gains/losses of the WCB investment portfolio, the WCB's focus remains on the operating surplus/deficit results.

- **Funding Policy for the WCB Accident Fund Reserve was revised by increasing the funding target substantially** in view of the amplified potential for investment income volatility. Assessment rates for employers, benefit levels for injured workers and changes in the WCB's funding position should not be based on short term, annual investment gains or losses, which by their nature, are unpredictable and not guaranteed to be sustained over the long term. The WCB's funding strategy including decisions about rates and benefits should continue to be based on the long term expectation for investment returns.

Revenues Increase 19%

The WCB's revenue is derived from two sources: premium revenue and investment income. 2004 revenues totalled $220 million, a 19% increase over 2003 revenues of $185 million. The chart below shows the revenue for each revenue stream.



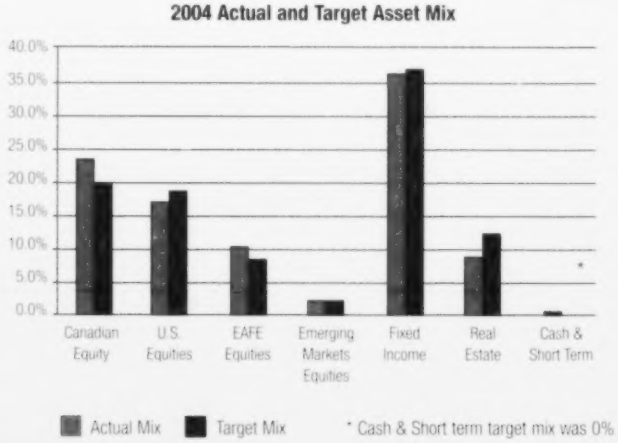
A 5% increase in the average premium rate from $1.62 in 2003 (budget $1.56) to $1.71 in 2004 (budget $1.70), as well as a 5% increase in reported employer payroll resulted in premium revenue increasing to $178 million in 2004 (9% increase over 2003 premium revenue of $163 million).

Investment revenue was $42 million (fair value accounting) compared to $22 million (moving average market method) in 2003. The income can be discussed within two categories:

- interest and dividend income was $23 million in 2004 versus $20 million in 2003
- realized gains of $19 million were recorded in the 2004 year versus $2 million of amortized gains (moving average market method) recorded in 2003.

Interest and dividend income recognition was not affected by the accounting policy change. The realized gains, however, are recorded differently under the new policy. A dramatic shift in investment revenue between the two years resulted.

The investment portfolio is diversified among a variety of asset classes. The composition of the asset classes is set by policy and is expected to generate a consistent positive real rate of return. At December 31, 2004, the actual asset mix based on market value was 63% equities and real estate versus 37% fixed income. A comparison of the actual asset mix at December 31, 2004 to the target is shown in the graph below.

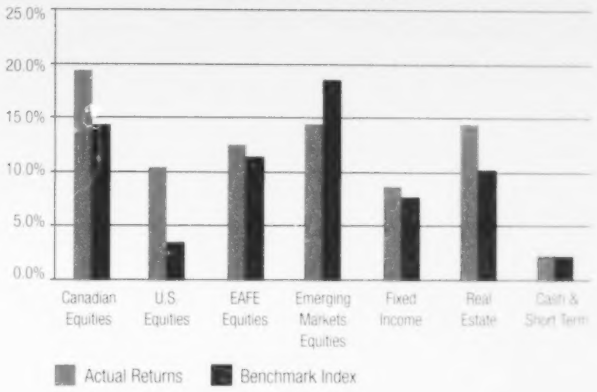


WCB
Workers Compensation Board of Manitoba

The gross market rate of return for 2004 was 11.8% (vs. 11.0% in 2003). The gross returns before expenses by asset type are displayed on the adjacent chart:

Equity markets around the world remained strong in 2004 after improving dramatically in 2003. All asset classes, except the emerging markets equities (2.5% of the portfolio) exceeded their relevant benchmark indicies in 2004.

2004 Returns by Asset Type



Claim Costs Incurred Increase is minimal at $6 million (or 3.7%) despite $11 million adjustment for discount rate change:

Claim costs incurred increased $6 million (or 3.7%) to $161 million in 2004. These costs are an estimate of the full costs for compensable injuries that occurred in 2004, together with adjustments to prior years' estimates. The estimates take into account (i) claims that are in pay, (ii) reported but as yet unpaid claims and (iii) unreported claims. Claim costs incurred are as follows:

In thousands of dollars	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total
2004	65,204	34,257	14,515	43,570	3,771	161,317
2003	49,222	39,171	12,012	51,935	3,193	155,533
Increase (decrease)	15,982	(4,914)	2,503	(8,365)	578	5,784

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Several notable adjustments were recorded in 2004, namely:

- **Discount rate for valuing benefit liabilities adjusted from 7.0% to 6.75%.** This change was made because real and nominal interest rates had recently been at low levels. The result to 2004 operations was an $11 million charge to claim costs incurred, allocated as follows: Short Term Disability $1 million, Long Term Disability $6 million, Survivor $3 million and Healthcare $1 million. The WCB will review the discount rate for valuing benefit liabilities again at the end of 2005.

- **Healthcare factor reduced.** The Healthcare factor is a ratio representing the amount of future healthcare dollars that must be spent for every healthcare dollar spent in the year and is calculated by analyzing five years of data. As this year's data illustrated a concentration of spending among newer claims, the factor was reduced.

- **Long Latency component of the Long Term Disability liability reduced.** A research study concluded that several diseases no longer met the definition of being an illness with a long latency period and as such, the liabilities for four diseases were removed. The total reduction to the liability was $16 million. In 2003, an $8 million reduction was the result of the first phase of the research where it was concluded that the latency period for one of the diseases included in the liability should be reduced from 31 to 15 years.

- **Actuarial model adjustments caused an $11 million charge to claim costs incurred.** As part of the year end review, the WCB's consulting actuary increased the liabilities for a number of types of claims that had triggered actuarial experience losses in the past.

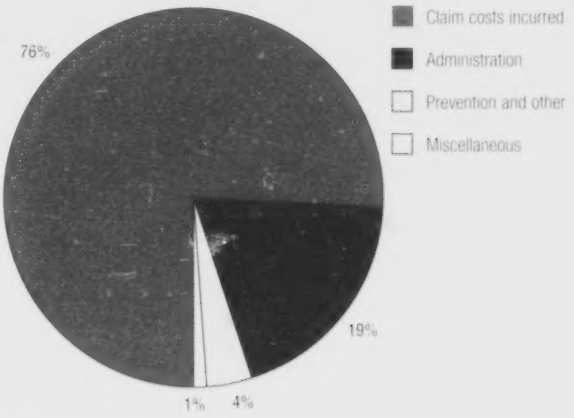
Discussion regarding significant changes in claim costs incurred by category follows:

- short term disability claim costs incurred (i.e. wage loss compensation for claims that have yet to medically plateau or stabilize) were $16 million higher due to the various actuarial adjustments

- long term disability was reduced by the removal of four diseases from the liability offset by the discount rate change

- healthcare benefits costs for 2004 were $8 million less than 2003 as the actuary determined that the average claim length for healthcare benefits decreased slightly. In comparison, in 2003, the average claim length increased resulting in a larger expense.

2004 Expenses



Benefit Liabilities Increase $13 million

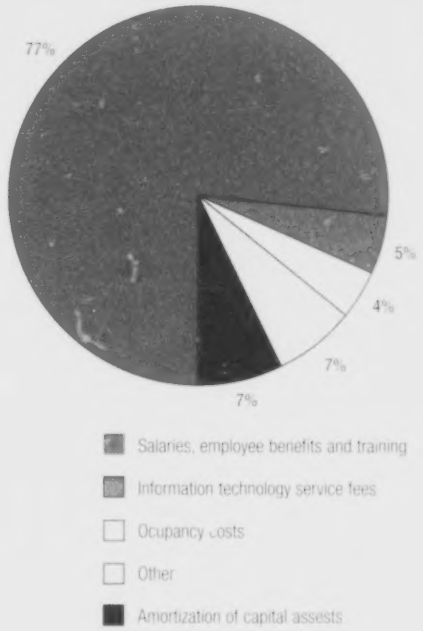
The benefit liabilities increase (or actuarial adjustment) for 2004 is $13 million (2003, $12 million). The change in the benefit liability is closely aligned with the adjustments that are explained above.

WCB Workers Compensation Board of Manitoba

Operating Expense Increase is minimal at 2% - to advance the safety agenda

Operating Expense is comprised of administration expenses and prevention costs. Administration expenses were essentially flat year over year at $40 million. Prevention, which totalled $7.6 million ($6.6 million 2003) includes the WCB prevention activities, such as the SAFE Work public awareness campaign, as well as payments to fund the Workplace Safety and Health Division and the Worker Advisor Office as stipulated in the ***The Workers Compensation Act.*** The increase in prevention is attributed to the public awareness campaign as 2004 was the first full year of the campaign. This campaign continues to raise public awareness about safety and prevention and is directly linked to the goal of reducing the injury rate.

Components of 2004 Administration Expenses



Operating Surplus $9.7 million

The 2004 operating surplus of $9.7 million is a welcome result as the WCB enters the 2005 year. In early 2005, the Legislative Review Committee submitted its report to the Minister of Labour and Immigration citing 100 recommendations for improving ***The Workers Compensation Act.*** Having a strong financial position is an important starting point for managing any changes that may result from the report.

The WCB had budgeted for a $4 million surplus in 2004. Revenues came in $11 million over budget at $220 million, with costs $5 million over budget at $211 million, resulting in the favourable year end result. Investment income was the main reason for the positive revenue result, while positive results for core claim costs incurred allowed the one-time unusual adjustments such as the discount rate change to be almost entirely absorbed within budget. Positive core claim cost results are attributed to the continued reduction of the injury rate and the maturing of the four year old case management model.

Total Comprehensive Surplus and Accumulated Other Comprehensive Income

Other comprehensive income for the year was $37 million. This represents the net change in other comprehensive income for the year or the unrealized gains and losses on available-for-sale financial assets of $56 million, less the reclassification of realized gains to the Statement of Operations of $19 million. Total comprehensive surplus for the year was $46 million.

The accumulated other comprehensive income as at December 31, 2004 was $60 million, comprised of $23 million due to the adjustment upon adopting the new accounting policy on January 1, 2004 and $37 million for the net change in other comprehensive income as noted above.

These financial amounts represent the "paper" gains/losses of the WCB's investment portfolio. As these can be volatile year over year, the WCB focuses instead on the operating surplus/deficit.

STATEMENT OF ACTUARIAL OPINION

with respect to the
Present Value of Future Benefit Liabilities of
The Workers Compensation Board of Manitoba

based on an actuarial valuation as at December 31, 2004

We have completed an actuarial valuation of the benefit liabilities for insured and self-insured employers under ***The Workers Compensation Act of Manitoba*** as at December 31, 2004. The purpose of the valuation is to provide adequate and appropriate estimates of the present value of future benefit obligations for inclusion in the WCB's 2004 financial statements. The benefit liabilities reflect payments that will be made in future years as a result of injuries or exposures that occurred on or before December 31, 2004. We have estimated these liabilities to be $703.4 million as at December 31, 2004.

The WCB's benefit liabilities include the actuarial present value of wage loss benefits, disability pensions, survivor benefits, healthcare benefits, and rehabilitation benefits, for which we have performed the analysis and calculations. The WCB's benefit liabilities also include provisions for the present value of future claims administration costs required for payment of these benefits and the present value of the cost of benefits for future long latency claims presently in a latency period, proportionate to the period of latency that has passed. These provisions have been calculated based on analysis performed by the WCB using methods that we consider to be reasonable.

This valuation is based on the provisions of ***The Workers Compensation Act*** and amendments made to the ***Act*** as of December 31, 2004, and the current practices and administration procedures of the Workers Compensation Board of Manitoba. The actuarial methods used for the valuation reflect the WCB's historical claims experience. The methods used to estimate the present value of benefits have mostly been retained from the prior valuation with some modifications that are described fully in the actuarial report.

Future investment earnings are projected at 6.75 percent. Where benefits are indexed to price inflation, a 3.75 percent rate has been used to project investment earnings in excess of benefit indexation. Where benefits are indexed to wage inflation, a 2.75 percent rate has been used to project investment earnings in excess of indexation. A 2.75 percent rate has also been used to project investment earnings in excess of future inflationary increases in healthcare benefits and rehabilitation service provider benefits.

We have relied on the accuracy and completeness of the data supplied by the WCB, except that we have compared the data with prior years' data for reasonableness and consistency.

In our opinion,

- the data is sufficient and reliable for the purpose of the valuation;
- the assumptions made for the valuation are appropriate for the purpose of the valuation;
- the methods employed are consistent with sound actuarial principles for the purpose of the valuation.

The valuation report on which this certificate is based has been prepared, and the opinions given, in accordance with accepted actuarial practice.

Yours truly,

Mercer Human Resource Consulting

A. Douglas Poapst, F.S.A., F.C.I.A.
February 28, 2005

Ryan Welsh, F.S.A., F.C.I.A.

AUDITORS' REPORT

To the Workers Compensation Board of Manitoba

We have audited the balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2004 and the statements of operations, comprehensive surplus, changes in fund balances, changes in accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
February 28, 2005

Chartered Accountants

Balance Sheet

December 31, 2004
(in thousands of dollars)

	2004	2003
Assets		
Cash (Note 4)	$ 2,079	$ 1,513
Receivables and other (Note 5)	30,864	27,938
Investment portfolio (Note 6)	785,871	699,276
Deferred assessments (Note 7)	22,870	22,534
Capital assets (Note 8)	11,844	12,363
	$ 853,528	$ 763,624
Liabilities and Surpluses		
Payables and accrued liabilities (Note 9)	$ 19,562	$ 17,528
Benefit liabilities (Note 11)	703,447	690,123
Total liabilities	723,009	707,651
Rate stabilization fund (Note 13)	-	35,955
Accident fund reserve (Note 13)	70,491	20,018
Accumulated other comprehensive income (Note 3)	60,028	-
Total surpluses	130,519	55,973
	$ 853,528	$ 763,624

Signed on behalf of the Board of Directors

Tom J. Farrell
Interim Chairperson, Board of Directors

Ronald Hambley
Finance Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

WCB
Workers Compensation
Board of Manitoba

Statement of Operations

Year Ended December 31, 2004
(in thousands of dollars)

	2004	2003
Revenue		
Premium revenue (Note 14)	$ 177,897	$ 162,591
Investment income (Note 6)	42,218	21,879
Total revenue	220,115	184,470
Expenses		
Claim costs incurred (Note 11)	161,317	155,533
Operating expenses (Note 15)	49,140	48,150
Total expenses	210,457	203,683
Operating surplus (deficit)	$ 9,658	$ (19,213)

Statement of Changes in Fund Balances

Year Ended December 31, 2004
(in thousands of dollars)

Rate stabilization fund		
Balance at beginning of year	$ 35,955	$ 55,168
Allocation from operating deficit	0	(19,213)
Transfer to accident fund reserve (Note 13)	(35,955)	0
Balance at end of year	$ 0	$ 35,955
Accident fund reserve		
Balance at beginning of year	$ 20,018	$ 20,018
Change in accounting policy (Note 3)	4,860	0
Balance as restated	24,878	20,018
Transfer from rate stabilization fund	35,955	0
Allocation from operating surplus	9,658	0
Balance at end of year	$ 70,491	$ 20,018

The accompanying notes are an integral part of the financial statements.

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Statement of Comprehensive Surplus

Year Ended December 31, 2004
(in thousands of dollars)

	2004	2003
Operating surplus (deficit)	$ 9,658	$ (19,213)
Other comprehensive income (Notes 2, 3)		
Unrealized gains on available-for-sale financial assets	56,124	
Reclassification of realized gains to the Statement of Operations (Note 6)	(19,422)	
Net change in other comprehensive income for the year	36,702	
Total comprehensive surplus	$ 46,360	

Statement of Changes in Accumulated Other Comprehensive Income

Year Ended December 31, 2004
(in thousands of dollars)

Accumulated Other Comprehensive Income	
Balance at beginning of year	$ -
Change in accounting policy (Note 3)	23,326
Balance as restated	23,326
Net change in other comprehensive income for the year	36,702
Balance at end of year	$ 60,028

The accompanying notes are an integral part of the financial statements.

WCB
Workers Compensation
Board of Manitoba

Statement of Cash Flows

Year Ended December 31, 2004
(in thousands of dollars)

	2004	2003
Operating Cash Flows		
Premiums from employers	$ 174,636	$ 156,351
Investment revenue	17,883	24,305
Payments to claimants or third parties on their behalf	(147,993)	(143,375)
Purchases of administration goods and services	(49,535)	(46,376)
Net cash used by operating activities	(5,009)	(9,095)
Investing Cash Flows		
Proceeds on disposal of investments	1,363,224	670,916
Purchase of investments	(1,355,381)	(656,954)
Capital asset acquisitions, net of disposals	(2,268)	(2,983)
Net cash provided by investing activities	5,575	10,979
Net increase in cash	566	1,884
Cash at beginning of year	1,513	(371)
Cash at end of year	$ 2,079	$ 1,513

The accompanying notes are an integral part of the financial statements.

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FIND A SAFER WAY
EVERYDAY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2004
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (WCB) was created in 1917 under the authority of ***The Workers Compensation Act of Manitoba***. In accordance with the provisions of the ***Act***, the WCB is responsible for:

- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing surplus funds.

An independent Workers Compensation Appeal Commission operates under the ***Act*** to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help the injured worker return to health and work in a timely and safe manner.

The workers' compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Surplus funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs.

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the ***Act*** and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully-funded basis to a level-funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which lead to the injury or disease.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned subsidiary WCB Realty Limited, an investment company whose sole purpose is to directly purchase and hold real estate investment properties. Intercompany balances and transactions are eliminated on consolidation.

Investments

Under the provisions of CICA 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available for sale, and carried at fair value (see Note 3). Gains and losses arising from the change in fair value that has occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Statement of Operations. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

WCB Workers Compensation Board of Manitoba

WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with the CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in other comprehensive income until the investment is derecognized.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development projects	3 - 10 years
Furniture, fixtures and equipment	5 years
Building renovations	10 years
Building	40 years

Employee future benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long-term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of plan assets or liabilities is amortized over the expected average remaining service life of active employees.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight-line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as of January 1, 2000.

Benefit liabilities

The WCB's independent consulting actuary conducts a review of and reports on the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fund accounting

The Accident Fund Reserve protects the WCB and its stakeholders from general business risks and is attributable to the Class E employers.

The target balance for the Accident Fund Reserve is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities, thereby calculating a reserve target that reduces risk to the organization.

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Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available for sale requires the WCB to use Accumulated Other Comprehensive Income. The Accumulated Other Comprehensive Income is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of Generally Accepted Accounting Principles (GAAP), are recognized in other comprehensive income but excluded from the operating surplus.

Premium revenue

The operations of the WCB are categorized, in accordance with the ***Act***, into Class E (general employers pool) and several classes of self-insured employers.

Employers registered within Class E are subject to collective liability, and assessment revenue is estimated by applying applicable industry assessment rates to the employers' reported payrolls for the current year. Any difference between the estimated assessment revenue and the actual assessment revenue is credited or charged to income in a subsequent year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses arising from the investment portfolio are recorded in the same manner as the related investment gains, losses, revenues or expenses.

3. CHANGE IN ACCOUNTING POLICY

In January 2005, the Accounting Standards Board released standards 3855 "Financial Instruments – Recognition and Measurement" and 1530 "Comprehensive Income". The WCB has elected to adopt these standards effective January 1, 2004. As the new standards are applied on a prospective basis, prior period results have not been restated.

Under the previous accounting policy, short term investments were recorded at cost. Remaining investments were recorded at cost adjusted toward market value using the moving average market method. Unrealized and realized gains and losses were deferred and amortized on a straight line basis over 60 months, while interest and dividend income were recognized in the period earned.

Under the new accounting policy, financial assets of the investment portfolio are designated as available for sale, and are carried at fair value (the amount of consideration that would be agreed upon in an arm's length transaction). Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses are recognized in other comprehensive income until the financial asset is derecognized or becomes impaired, at which time the cumulative gain or loss previously recorded in other comprehensive income is reclassified to investment income in the Statement of Operations.

On January 1, 2004, the investment portfolio balance was adjusted from a carrying value of $699.3 million to a fair value of $727.5 million. Deferred realized gains of $4.9 million were added to the opening balance of the Accident Fund Reserve while $23.3 million of deferred unrealized gains were added to the opening balance of the Accumulated Other Comprehensive Income.

4. CASH

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

5. RECEIVABLES AND OTHER

	2004	2003
Premiums from Class E employers	$ 23,411	$ 20,877
Allowance for doubtful accounts	(1,522)	(1,807)
	21,889	19,070
Premiums from self-insured employers	2,315	2,183
Sundry	1,238	1,406
	25,442	22,659
Accrued pension benefit asset (Note 10)	5,422	5,279
	$ 30,864	$ 27,938

6. INVESTMENT PORTFOLIO

The 2004 fair value and the 2003 carrying value and fair value of the investment portfolio are:

	2004		2003		
	Fair Value	Rate of Return	Carrying Value	Fair Value	Rate of Return
Cash and Short-Term Investments	$ 28,622	2.4%	$ 26,032	$ 26,032	1.4%
Fixed Income					
Government of Canada Bonds	101,922	-	113,911	116,239	-
Provincial Bonds	52,673	-	61,017	63,581	-
Corporate Bonds	116,273	-	92,446	95,116	-
Mortgages	-		125	123	-
	270,868	8.3%	267,499	275,059	6.3%
Real Estate (i)	68,090	14.7%	45,561	46,872	11.1%
Equities					
Canadian	209,961	19.6%	152,267	183,928	23.1%
U.S.	108,032	10.6%	97,976	98,786	5.7%
Europe, Australia & Far East	81,282	12.6%	100,347	80,583	14.9%
Emerging markets	19,016	14.7%	14,454	16,202	23.0%
	418,291	15.7%	365,044	379,499	16.8%
Total	$ 785,871	11.8%	$ 704,136	$ 727,462	11.0%
Deferred Realized Gains			(4,860)		
Carrying Value of Investments			$ 699,276		

(i) The gross real estate portfolio at December 31, 2004 was $94.8 million (2003, $47.5 million). As at December 31, 2004, mortgages payable on real estate held directly by the WCB totalled $26.7 million on properties with a fair value of $40.9 million. Mortgages payable bear interest at rates ranging from 5.33% to 7.36% per annum, payable in monthly principal and interest instalments totalling $170.5 thousand. Maturity dates range from 2008 to 2014.

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The scheduled amounts of principal repayments on real estate mortgages in each of the next five years are as follows:

2005	$ 533
2006	580
2007	614
2008	642
2009	641
	3,010
Thereafter	23,716
Total due	$ 26,726

Investment Income

Investment income was derived from the following sources:

	2004	2003
Cash and short-term investments, including currency exchange	$ 650	$ (2,482)
Bonds	13,676	14,090
Mortgages	4	221
Real estate	4,566	4,329
Canadian equities	3,390	3,024
Foreign equities	4,060	3,642
Realized gains reclassified from Other Comprehensive Income	19,422	N/A
Amortization of deferred unrealized losses	N/A	(4,927)
Amortization of deferred realized gains	N/A	7,063
Loan interest	(24)	(42)
Expenses	(3,526)	(3,039)
Investment income	$ 42,218	$ 21,879

Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 96% (2003, 98%) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105% of the market amount of the asset borrowed. As of December 31, 2004 secured loans amounted to $108.8 million (2003, $58.4 million).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2004 the WCB did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short term returns. These fluctuations are not expected to affect the long term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The remaining term to maturity of the WCB's bond portfolio was 13.8 years (at December 31, 2003, 11.5 years).

7. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from the self-insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2004	2003
Balance at beginning of year	$ 22,534	$ 20,899
Change in future cost liability	492	895
Change in pension related transactions	1,116	1,228
Interest allocation	(1,272)	(488)
Net change in deferred assessments	336	1,635
Balance at end of year	$ 22,870	$ 22,534

8. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 10,532	$ 8,755	$ 1,777	$ 2,064
Systems development projects	8,999	5,666	3,333	3,257
Furniture, fixtures and equipment	1,903	1,854	49	119
Building renovations	3,242	1,970	1,272	1,474
Building and land	5,722	309	5,413	5,449
	$ 30,398	$ 18,554	$ 11,844	$ 12,363

As a result of asset dispositions, costs of $1.3 million (2003, $1.1 million) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $14.0 thousand (2003, $6.0 thousand) was recognized on the sale of these fully depreciated capital assets.

9. PAYABLES AND ACCRUED LIABILITIES

	2004	2003
Accounts payable and accrued liabilities	$ 2,116	$ 3,529
Claimant annuity program	7,593	6,287
Community Initiatives and Research Program grants	1,722	1,732
Deposits from self-insured employers	1,428	1,381
Employee vacation entitlements	2,344	2,208
Unearned revenue	1,688	-
Other payables	1,326	1,362
Sick leave plan (Note 10)	1,345	1,029
	$ 19,562	$ 17,528

10. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other post-employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The WCB and its employees contribute to the WCB Retirement Plan. The WCB Retirement Plan is a defined-benefit pension plan that provides partially indexed pensions (2/3 of CPI for Canada) based on years of service and the best five consecutive years average earnings in the last twelve years of employment.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2004, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan was $2.0 million (2003 - $7.5 million).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2002, and the next required valuation will be December 31, 2005.

Information about the WCB's employee benefit plans as at December 31 is as follows:

	Pension Plan		Sick Leave Plan	
	2004	2003	2004	2003
Benefits paid by the plan	$ 1,369	$ 1,546	$ 76	$ 49
Employer contributions	1,905	7,489	76	49
Employee contributions	1,423	1,283	-	-
Employee future benefit cost recognized in the year	1,762	2,077	392	368
Actual return on plan assets (%)	10.3%	11.6%	-	-

Reconciliation of funded status of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
	2004	2003	2004	2003
Fair value of plan assets	$ 63,595	$ 55,744	-	-
Accrued benefit obligation	62,530	54,987	$ 2,515	$ 2,226
Plan surplus (deficit)	1,065	757	(2,515)	(2,226)
Balance of unamortized amounts	4,357	4,522	1,170	1,197
Accrued benefit asset (liability)	$ 5,422	$ 5,279	$ (1,345)	$ (1,029)

The accrued benefit asset is included in receivables and other. The accrued benefit liability is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities as at December 31 are as follows:

	Pension Plan		Sick Leave Plan	
	2004	2003	2004	2003
Discount rate	6.0%	6.5%	6.5%	7.0%
Expected long term rate of return on plan assets	7.0%	7.0%	7.0%	7.0%
Rate of compensation increase	4.0%	4.5%	2.75%	2.75%
Expected average remaining service life (in years)	15	15	15	15

The following table provides information on the asset allocation by category for the pension plan:

Asset Category	2004	2003
Equity	44.4%	33.8%
Fixed Income	55.6%	66.2%

11. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2004	2003
Future investment earnings	6.75%	7.0%
Future CPI indexation	3.0%	3.0%
Future wage indexation	4.0%	4.0%
Future healthcare benefits indexation	4.0%	4.0%

Effective December 31, 2004, the assumption for future investment earnings used to value the benefit liabilities was reduced to 6.75%. This change increased the benefit liability by $11.1 million.

An analysis of the components of and changes in benefit liabilities is as follows:

	2004						2003
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 80,032	$ 353,157	$ 146,292	$ 92,534	$ 18,108	$ 690,123	$ 677,965
Add: Claim costs incurred							
Current year	78,384	(13,619)	6,758	36,273	6,223	114,019	98,445
Prior years	(13,180)	47,876	7,757	7,297	(2,452)	47,298	57,088
	65,204	34,257	14,515	43,570	3,771	161,317	155,533
Less: Claim payments made							
Current year	24,174	59	156	14,270	26	38,685	35,634
Prior years	26,258	43,855	13,469	22,811	2,915	109,308	107,741
	50,432	43,914	13,625	37,081	2,941	147,993	143,375
Balance at end of year	$ 94,804	$ 343,500	$ 147,182	$ 99,023	$ 18,938	$ 703,447	$ 690,123

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The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are supplied externally to the WCB.

Included in long term disability is the WCB's liability, in the amount of $37.9 million (2003, $52.4 million), for the future cost of claims relating to certain latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $42.3 million (2003, $37.1 million) for the future cost of administering existing claims.

12. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 11 contains a complete description of the components of the WCB's benefit liabilities for all employers. An analysis of the portion relating to the self-insured employers is as follows:

	2004						2003
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 5,455	$ 34,285	$ 26,065	$ 10,447	$ 935	$ 77,187	$ 78,197
Add: Claim costs incurred							
Current year	7,601	(1,395)	639	5,204	475	12,524	9,794
Prior years	(367)	3,819	2,171	52	(368)	5,307	5,742
	7,234	2,424	2,810	5,256	107	17,831	15,536
Less: Claim payments made							
Current year	2,719	19	-	1,625	-	4,363	3,438
Prior years	2,659	4,362	2,936	3,248	103	13,308	13,108
	5,378	4,381	2,936	4,873	103	17,671	16,546
Balance at end of year	$ 7,311	$ 32,328	$ 25,939	$ 10,830	$ 939	$ 77,347	$ 77,187

Included in premiums and claim costs for self-insured employers are payments in the amount of $2.8 million (2003, $2.5 million) made by self-insured employers directly to claimants on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $3.9 million (2003, $5.4 million) for the self-insured employers' share of the long latent occupational disease liability and $3.5 million (2003, $3.2 million) for the future cost of administering existing claims.

13. FUND BALANCES

In 2004, the $36.0 million balance in the Rate Stabilization Fund was transferred to the Accident Fund Reserve. Including the operating surplus for the year, the balance in the Accident Fund Reserve as at December 31, 2004 was $70.5 million (2003, $20.0 million). The target balance for the Accident Fund Reserve is based on the formula described in note 2 and was $161.9 million at the end of 2004.

14. PREMIUM REVENUE

	2004	2003
Premiums – Class E employers	$ 159,709	$ 144,913
Assessments – Self-insured employers	17,852	16,043
Increase in deferred assessments (Note 7)	336	1,635
Total premium revenue	$ 177,897	$ 162,591

15. OPERATING EXPENSES

	2004	2003
Salaries, employee benefits and training	$ 30,845	$ 30,514
Information technology service fees	1,921	1,895
Occupancy costs	1,744	1,773
Office supplies and services	1,129	1,084
Communications	850	991
Professional fees	731	651
Donations	96	89
Amortization of capital assets	2,787	3,104
Total administration expenses	40,103	40,101
Appeal Commission	1,088	1,042
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(695)	(643)
Prevention and other (Note 16)	7,644	6,650
Total operating expenses	$ 49,140	$ 48,150

Of the total operating expenses, $3.2 million (2003, $3.0 million) was allocated to the self-insured employers based on the current year's transaction volumes.

The WCB administers the ***Government Employees Compensation Act*** program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

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16. RELATED PARTY TRANSACTIONS

Pursuant to ***The Workplace Safety and Health Act of Manitoba***, the Province may pay the expenses incurred in the administration of that ***Act*** out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under ***The Workers Compensation Act of Manitoba***. For 2004, the amount charged to operations under this provision is $5.7 million (2003, $5.7 million).

Also, under Section 84.(1) of ***The Workers Compensation Act of Manitoba***, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2004, the amount charged to operations under this provision is $0.9 million (2003, $0.9 million).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under ***The Workers Compensation Act of Manitoba***. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio are guaranteed debentures issued by the Province of Manitoba, in the amount of $5.8 million (2003, $11.1 million).

17. COMMITMENTS

The WCB has signed operating leases for office premises and equipment expiring at various times until August 31, 2009. The minimum lease obligations over the next five years are:

2005	2006	2007	2008	2009	Total
$432	$167	$132	$90	$17	$838

18. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide any non-audit services for the years ended December 31, 2004 and December 31, 2003.

WCB
Workers Compensation Board of Manitoba

STATISTICS AND MEASURES

WCB 2004 ANNUAL REPORT

STATISTICS AND MEASURES 2004 ANNUAL REPORT

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In addition to the statistical information provided in this Annual Report, a new comprehensive ***Manitoba Workplace Injury Statistics Report*** *is now published. This annual document is a joint presentation of the WCB and Workplace Safety and Health. To obtain a copy of this report, please call* ***954-4760*** *or toll-free* ***1-800-362-3340****.*

INTRODUCTION

The WCB is committed to the organizational goals built upon four themes - prevention, recovery, service and stewardship. Specific measures have been developed to gauge progress towards these goals.

These statistics and measures enable the WCB to analyze and report on its performance in the current year and measure progress from previous years. Where appropriate, the Manitoba WCB's performance versus the performance of other WCBs across Canada is documented.

PREVENTION

Accepted Injuries and Injury Rate Trends

The WCB is committed to increasing prevention awareness and thereby significantly reducing injuries and the injury rate. The goal of reducing the injury rate by 25 percent over a five year period is within reach; as of 2004 the reduction is 22 percent.

Manitoba's injury rate is above the Canadian average. There are many factors (e.g. percentage of covered workers, diversity of industries) that make cross jurisdictional comparison difficult. Notwithstanding that, Manitoba is driven to aggressively move the injury rate downward and to improve its injury rate standing among the WCBs in Canada.

Claims Accepted or Unadjudicated

These are the claims that the WCB includes in determining the injury rate for the year.

Claims Accepted or Unadjudicated	2000	2001	2002	2003	2004
Time Loss	20,054	18,771	18,109	17,609	17,308
Fatalities	27	28	38	19	21
Pension	66	120	131	138	163
a) Sub-Total	**20,147**	**18,919**	**18,278**	**17,766**	**17,492**
No Time Loss	20,052	18,114	17,322	17,767	17,372
Total Accepted or Unadjudicated Claims	40,199	37,033	35,600	35,533	34,864
b) Total Covered Population (full-time equivalents)	**347,000**	**362,000**	**367,600**	**376,800**	**384,450**
Time Loss Injury Rate (a/b)	**5.8%**	**5.2%**	**5.0%**	**4.7%**	**4.5%**
			-22%		
			Goal: 25% reduction to injury rate. Actual reduction from 2000 to 2004 is 22%		

Reported Injuries and Claims Not Accepted

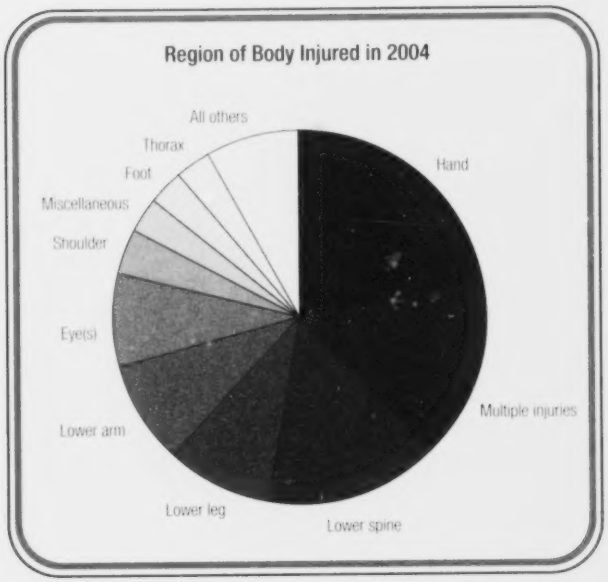
These are the injuries that are reported in aggregate to the WCB. Reported injuries have also declined. A certain number of reported claims are not accepted by the WCB. Most are abandoned, others are declined for various reasons shown below.

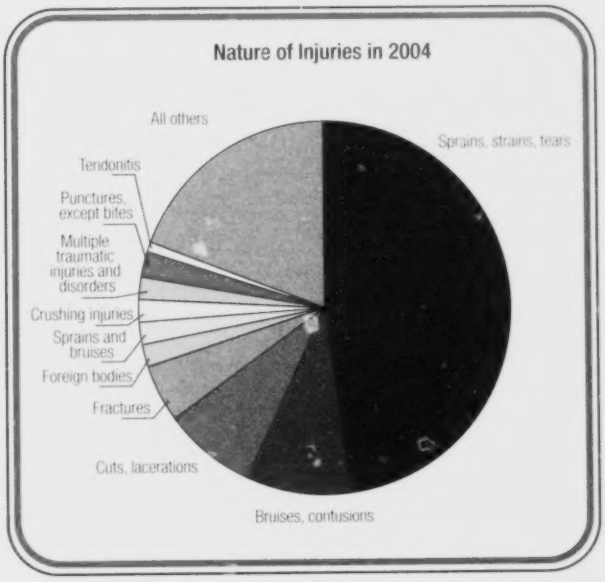
Reported Injuries	2000	2001	2002	2003	2004
Time Loss	21,249	20,263	19,707	19,189	18,778
No Time Loss	25,924	24,056	23,228	23,265	22,257
Fatalities	48	42	50	40	42
Total	**47,221**	**44,361**	**42,985**	**42,494**	**41,077**
Claims Not Accepted					
Referred	61	55	68	64	48
No Coverage	991	879	787	824	806
Initially Not Accepted	1,145	1,303	1,431	1,625	1,908
Abandoned	4,825	5,091	5,099	4,448	3,451
Total	**7,022**	**7,328**	**7,385**	**6,961**	**6,213**

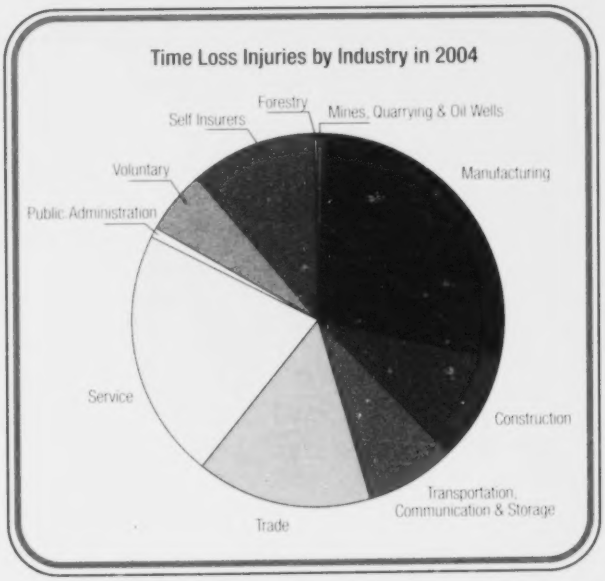
WCB Workers Compensation Board of Manitoba

Trends in Injuries and Targets for Prevention

The WCB maintains statistics on the following aspects of the injuries: region of body injured, nature of injury and time loss injuries by industry. For example, over 25 percent of all injuries occur to the hand, the majority of injuries are sprains, strains and tears and injuries are most likely to happen in the manufacturing and service sectors. This information has helped to determine where to focus the prevention awareness campaign message. Following are the 2004 charts:







The following tables show five year trends in region of body injured, nature of injuries and time loss injuries by industry and illustrate that the areas of concern have remained static:

REGION OF BODY INJURED - PERCENTAGE OF TOTAL INJURIES

	2000	2001	2002	2003	2004
Hand	23%	24%	23%	22%	22%
Multiple Injuries	15%	15%	16%	15%	16%
Lower Spine	15%	15%	15%	15%	15%
Lower Leg	8%	9%	9%	9%	9%
Lower Arm	9%	9%	9%	9%	9%
Eye(s)	9%	8%	8%	8%	8%
Shoulder	4%	4%	4%	4%	4%
Miscellaneous	3%	3%	3%	3%	3%
Foot	3%	3%	3%	3%	3%
Thorax	2%	2%	2%	3%	3%
All Others	9%	8%	8%	9%	8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

NATURE OF INJURIES – PERCENTAGE OF TOTAL INJURIES

	2000	2001	2002	2003	2004
Sprains, strains, tears	41%	48%	51%	50%	48%
Bruises, contusions	9%	9%	9%	9%	9%
Cuts, lacerations	9%	10%	9%	8%	8%
Fractures	4%	4%	4%	4%	5%
Foreign bodies	3%	3%	2%	3%	2%
Sprains and bruises	1%	0%	1%	1%	2%
Crushing injuries	3%	3%	2%	2%	2%
Multiple traumatic injuries	4%	7%	2%	2%	2%
Punctures, except bites	2%	2%	2%	1%	2%
Tendonitis	2%	1%	2%	4%	1%
All Others	22%	13%	16%	16%	19%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

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ACCEPTED OR UNADJUDICATED TIME LOSS INJURIES BY INDUSTRY

	2000	2001	2002	2003	2004
Manufacturing	7,727	6,692	6,064	5,553	4,873
Service	3,466	3,614	3,679	3,655	3,760
Trade	2,704	2,741	2,658	2,652	2,703
Self Insurers	1,869	1,875	1,796	1,856	1,935
Construction	1,705	1,471	1,568	1,590	1,615
Transportation, Comm. & Storage	1,388	1,271	1,281	1,291	1,353
Voluntary	948	953	920	888	966
Public Administration	144	142	165	132	149
Mines, Quarrying & Oil Wells	175	131	119	116	111
Forestry	21	29	28	33	27
Grand Total	**20,147**	**18,919**	**18,278**	**17,766**	**17,492**

RECOVERY

The following statistics provide information on claim outcomes; namely active claims at year end and average duration/severity.

Claims in Pay at Year End

The WCB recognizes that focusing on the recovery of the injured worker and returning the worker to health and work more quickly is of benefit to both the worker and the employer.

It is expected that active claims will decrease over time as reported and accepted injuries decrease. This decrease is expected to be less rapid than the decrease in the injury rate given the WCB must continue to administer existing claims.

	2000	2001	2002	2003	2004
Compensation Claims	3,839	3,429	3,410	3,556	3,735
Active Vocational Rehabilitation Claims	499	429	400	424	509
Long Term Wage Loss Claims	833	913	971	995	960
Special Additional Compensation Claims	454	512	487	433	396
Pensions	4,687	4,342	4,235	4,084	3,997
Total Active Claims at Year End	**10,312**	**9,625**	**9,503**	**9,492**	**9,597**

7% Reduction in Active Claims Since 2000

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Duration of Claims

Duration of claims is the number of days that a claimant receives wage loss replacement. Although the WCB is endeavouring to reduce duration through continuous improvement to best practice in case management, and enabling injured workers to return to work and health sooner, this measure has been rising. Many factors can affect the duration calculation. It is recognized that because of the calculation formula (days paid/number of claims), duration can increase as a direct result of having fewer claims in the system.

On a positive note, the duration increase did not significantly affect the average cost per claim and wage loss costs for the year were slightly under budget.

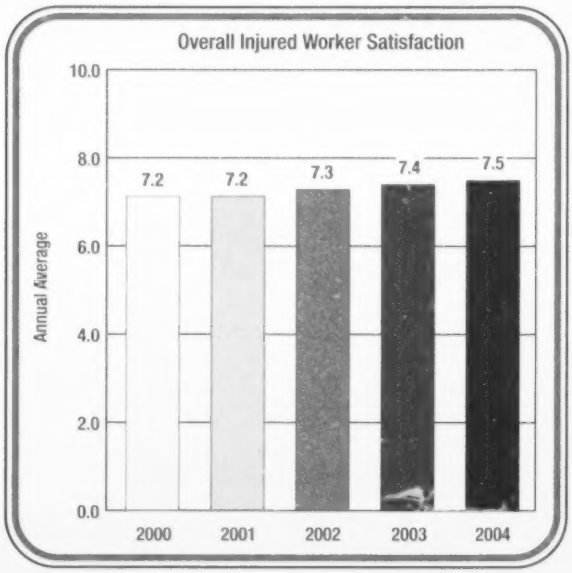
Severity - Composite Measure (in days) AWCBC Method

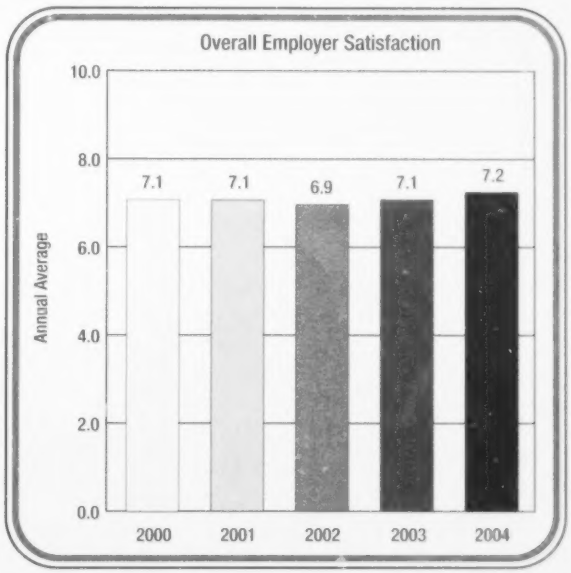
	2000	2001	2002	2003	2004
Average Duration of Claims (Compensation)					
Current Year Claims	20.7	21.4	20.6	21.3	21.9
Claims from All Years	36.9	39.7	39.6	40.5	41.5
Average Duration of Claims (All Wage Loss)					
Current Year Claims	20.8	22.3	20.6	21.3	22.0
Claims from All Years	39.9	44.2	46.4	46.5	47.2

SERVICE

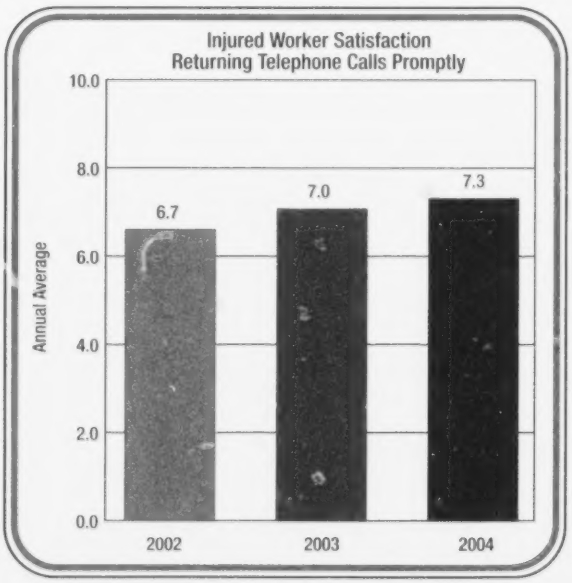
The WCB is committed to continual improvement in customer service focused on meeting the evolving needs of all customers. The WCB believes in providing service that is ***fast, easy, caring, right*** and ***clear***.

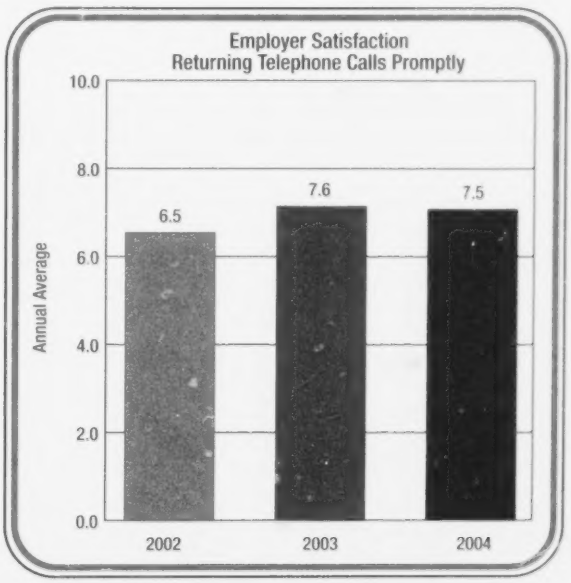
The goal is to achieve an overall customer satisfaction rating of eight out of ten from our stakeholders. Results have moved in the 7.0 to 7.5 range however, we continue to challenge ourselves to do more in achieving this important goal.





A significant driver of overall satisfaction is how responsive we are to returning our customers' phone calls. In recent years the WCB has implemented telephone guidelines to improve this driver of customer satisfaction.





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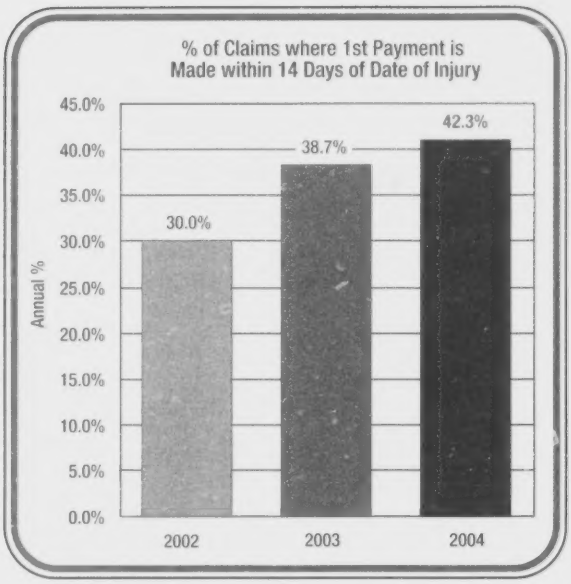
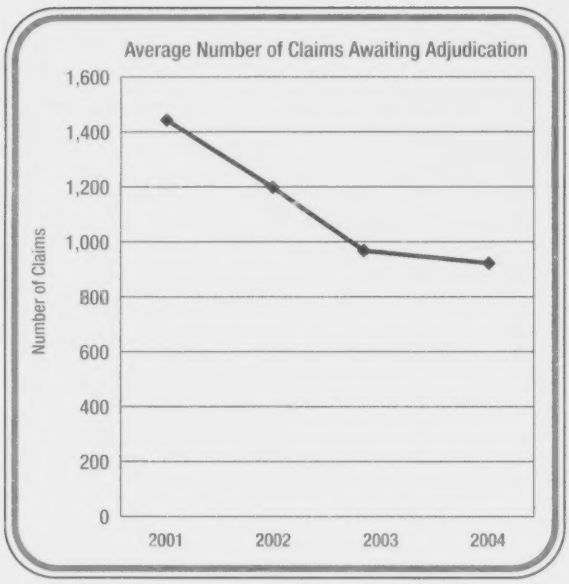
Service that is....*fast*

The WCB believes that providing ***fast*** service is critical to achieving customer satisfaction. Our goal is to provide injured workers with their first payment within 14 days of the date of injury for 70 percent of traumatic time loss claims. We began monitoring this goal in 2002 and have made significant gains in achieving the target since then. In fact, the measure for the month of December 2004 was 50.1 percent, an all-time high.





Another initiative that assists in providing ***fast*** service is making timely decisions. The WCB measures this by reviewing the number of claims awaiting adjudication. We have been successful in lowering this number for three consecutive years.

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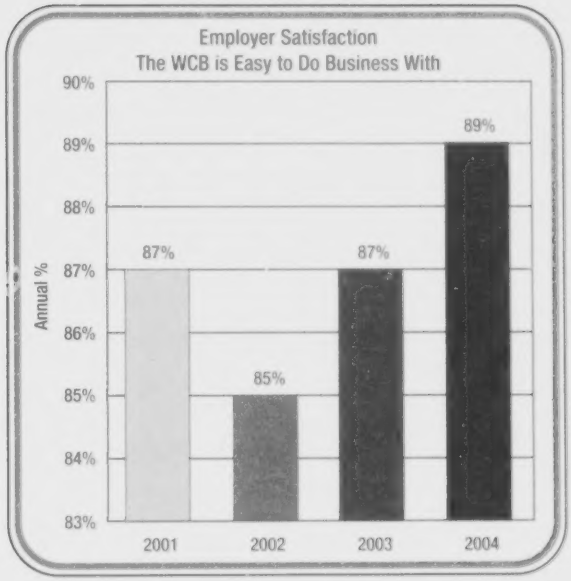
Service that is....*easy*

Providing service that is ***easy*** means we strive to give our customers a simple, hassle-free experience and that when we review our processes we stream-line them with our customers in mind. Our success in this area can be judged by the outcomes of our customer satisfaction survey where we ask our employers whether they agree or disagree that the WCB is easy do business with.



Service that is....*caring*

A ***caring*** approach means our customers can expect to be treated with respect and dignity as well as receiving empathy and personal attention. In recent years specific activities were implemented to focus on this goal. Our success in this area can be judged by the outcomes of our customer satisfaction survey where we ask our injured workers to rate the personal attention they received from us.

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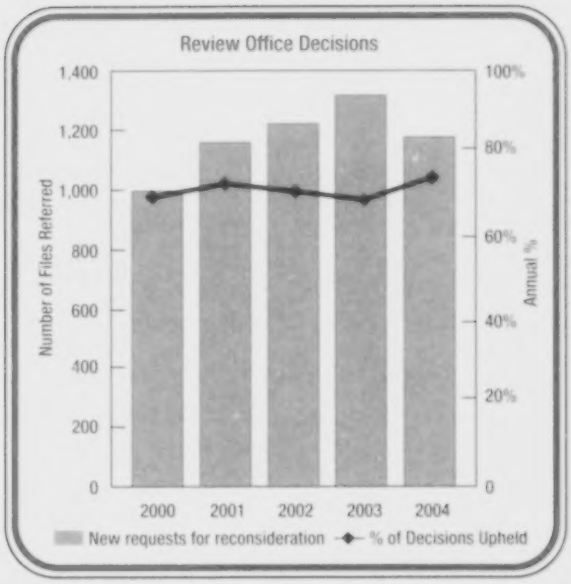
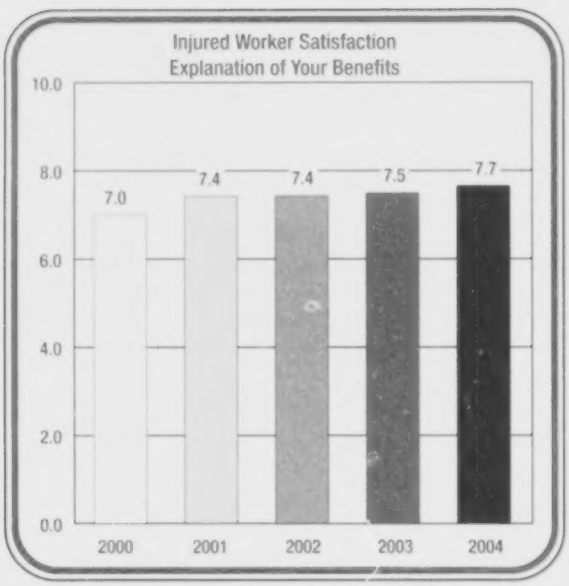
Service that is....*right*

Getting the adjudication task completed ***right*** is a major goal of the WCB. We measure this through the Review Office decision statistics. We find that the number of files referred for reconsideration is remaining quite steady at about 1,200 files per year. As well, the percentage of files where the decision of the initial adjudicator is upheld is maintained at about 70 percent.





Service that is....*clear*

Providing service that is ***clear*** is important to ensure that injured workers understand what benefits they are entitled to and why decisions are made on their claims.

This chart shows we continue to improve this area.

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STEWARDSHIP

The WCB is committed to managing the resources of the organization in a responsible manner ensuring an affordable and financially strong compensation system is maintained for Manitoba workers and employers.

Employer Assessments and Average Assessment Rate

Maintaining a competitive average assessment rate (rate per $100 of payroll) is paramount to employers' opinion of WCB fiduciary management. For 2003, Manitoba had the lowest average assessment rate for all provinces, and expects the same result in 2004.

As well, in keeping with the safety and prevention mandate, employers' premium rates reflect their claims experience record. In Manitoba, it pays to develop prevention and safety measures.

	2000	2001	2002	2003	2004
Premiums					
Assessable Payrolls ($ millions)	7,984	8,259	8,561	8,931	9,377
Assessments ($ millions)	119	126	131	145	160
Employers					
Registered Employers at December 31	23,400	23,846	24,453	24,639	25,110
New Registrants In-year	2,708	2,781	2,932	2,481	2,720
Rates (per $100 of Payroll)					
Average - Actual	$ 1.49	$ 1.52	$ 1.53	$ 1.62	$ 1.71
Lowest	$ 0.19	$ 0.17	$ 0.15	$ 0.15	$ 0.16
Highest	$12.77	$13.14	$16.73	$26.47	$30.34

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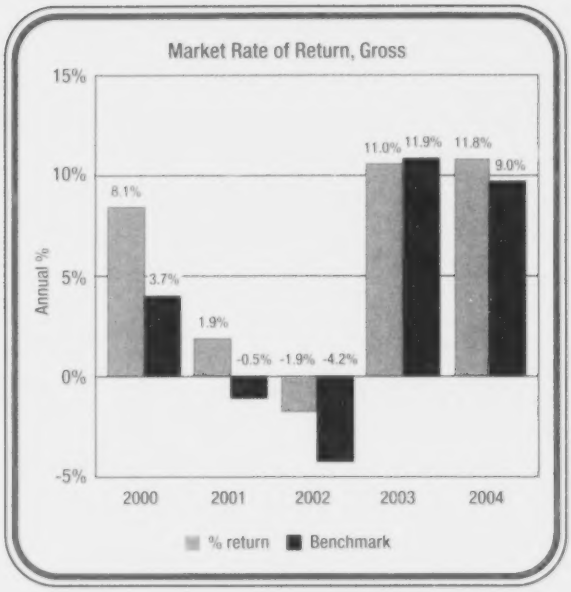
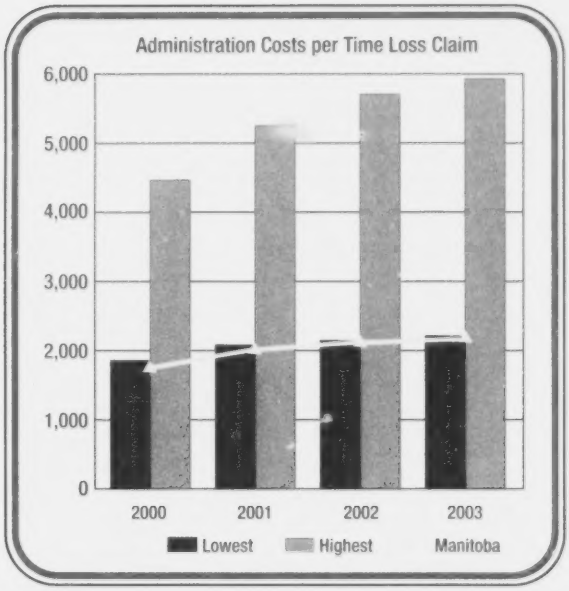
Investment Results

Investment income is a significant revenue stream of the WCB and performance of the investment portfolio is carefully monitored. Total fund performance is measured against a balanced index composed of commonly accepted benchmarks weighted to match the long term policy asset mix. The Investment Committee has approved a policy asset mix to generate a consistent positive real rate of return on invested assets. The WCB expects to out perform the relevant indexes (e.g. TSX, S&P). The chart on the right shows the investment rate of return and the benchmark rate of return for each of the past five years. The WCB has been successful in achieving actual returns that are better than benchmark in four of those years.





Administration Cost Per Time Loss Claim

While our overarching goal is to provide excellent customer service and quality compensation services, we strive to deliver this product within a lean organization. One of the measures we use to gauge this is the administration cost per time loss claim. Manitoba had the lowest cost across Canada in 2003 (2004 data n/a) and expects to maintain that status for 2004.

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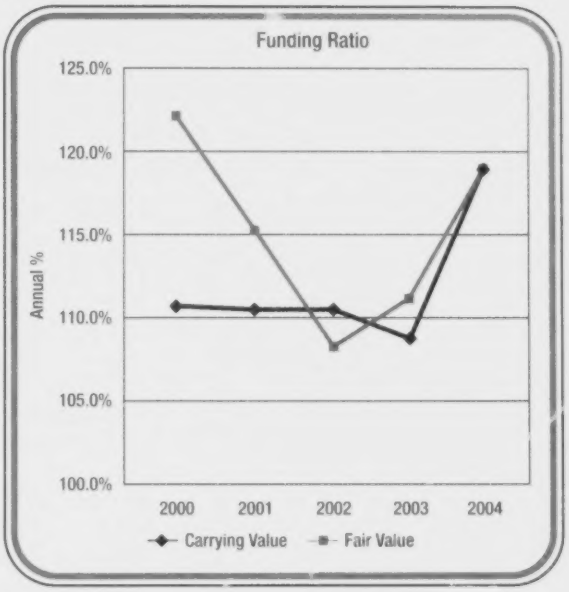
Funding Ratio

One measure of the financial strength of the WCB is the funding ratio (ratio of total assets to liabilities). Any amount above 100 percent indicates that the WCB is fully funded with a positive balance in its Accident Fund Reserve. Values below 100 percent signal that the WCB may be in an unfunded liability position.

In 2004, the introduction of fair value accounting made the comparison of 2003 and prior data against 2004 invalid. Therefore, two measurements for the funding ratio are shown. The black line shows the funding ratio as per the investment portfolio carrying value on the Balance Sheet. The grey line shows the funding ratio as per an adjusted portfolio value (i.e. including deferred gains/losses). This adjustment was required because prior to fair value accounting (adopted 2004) the WCB balance sheet included only a portion of the gains/losses, whereas in 2004, the entire gain/loss is included in the investment portfolio balance.

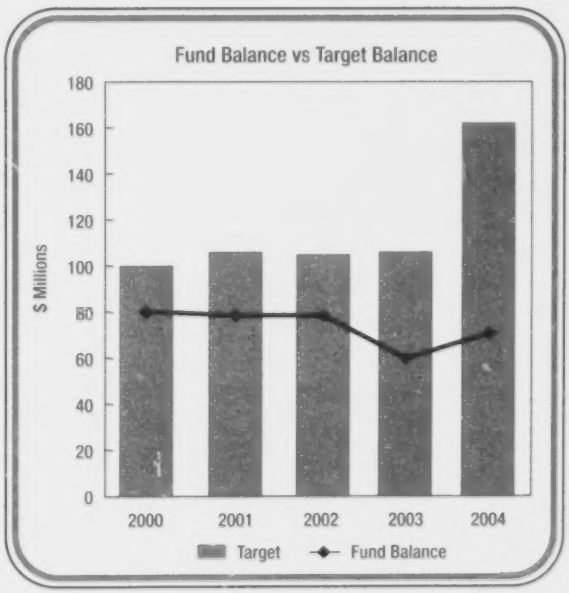
In either scenario, Manitoba has been in a fully funded position since 1996. At the end of 2004, Manitoba is expected to be one of only a few fully funded WCBs in Canada (greater certainty will be provided when each jurisdiction's 2004 Annual Report is released).



Fund Balance and Target

The fund balance of the WCB exists to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or injury claim costs. Funding formulas provide the WCB with the optimum balance for its Accident Fund Reserve. In 2004 with the introduction of fair value accounting, the need for a larger reserve to mitigate investment market volatility was identified and funding formulas were updated. At this point, the WCB's reserve is well below the revised target. This measure assists the WCB in making future financial decisions as the financial impacts to ratepayers are balanced against the risk of a reserve that is under the target value.

NOTE: For the years 2003 and prior, the Fund Balance included the Rate Stabilization Fund and the Accident Fund. Effective 2004, the Accident Fund Reserve is the WCB's only reserve.



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